

Town of Creswell
FINANCIAL STATEMENTS

June 30, 2021

Town Board

Edwin Blount, Mayor

Joel Harris
Ronald Ambrose

Brenda Logan
Syble Spruill

Town Clerk

Penny Chapman



Cumbee & Taylor, PA
CPAs and Advisors

**Town of Creswell
Table of Contents
June 30, 2021**

| <u>Exhibit</u> | | <u>Page</u> |
|-----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| | Financial Section: | |
| | Independent Auditors' Report | 1-3 |
| | Management's Discussion and Analysis | 4-12 |
| | Basic Financial Statements: | |
| | Government-wide Financial Statements: | |
| 1 | Statement of Net Position | 13 |
| 2 | Statement of Activities | 14-15 |
| | Fund Financial Statements: | |
| 3 | Balance Sheet – Governmental Fund | 16 |
| 3 | Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position | 16 |
| 4 | Statement of Revenues, Expenditures, and Change in Fund Balance – Governmental Fund | 17 |
| 4 | Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balance of Governmental Fund to the Statement of Activities | 18 |
| 5 | Statement of Revenues, Expenditures, and Change in Fund Balance – Annual Budget and Actual – General Fund | 19 |
| 6 | Statement of Fund Net Position – Proprietary Fund | 20 |
| 7 | Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund | 21 |
| 8 | Statement of Cash Flows – Proprietary Fund | 22 |
| | Notes to the Financial Statements | 23-42 |

Required Supplementary Information:

| | |
|-------------------------------------------------------------------------------------------------------------------------------|----|
| Schedule of the Proportionate Share of the Net Pension Liability (Asset) – Local Governmental Employees’ Retirement System | 43 |
| Schedule of Contributions – Local Governmental Employees’ Retirement System | 44 |

Individual Fund Statements and Schedules:

| | |
|--------------------------------------------------------------------------------------------------------|-------|
| Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual – General Fund | 45-46 |
| Schedule of Revenues and Expenditures - Budget and Actual: Water and Sewer Fund | 47-48 |
| Water Treatment Plant Improvements Capital Projects Fund | 49 |

Other Schedules:

| | |
|-----------------------------------------------|----|
| Schedule of Ad Valorem Taxes Receivable | 50 |
| Analysis of Current Tax Levy - Town-Wide Levy | 51 |

Compliance Section:

| | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|
| Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 52 |
| Independent Auditors’ Report on Compliance For Each Major State Program and on Internal Control Over Compliance in Accordance with OMB Uniform Guidance and the State Single Audit Implementation Act | 54 |
| Schedule of Findings and Questioned Costs | 56 |
| Corrective Action Plan | 60 |
| Schedule of Prior Year Audit Findings | 62 |
| Schedule of Expenditures of Federal and State Awards | 63 |

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the Board of Commissioners
Town of Creswell, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Creswell, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Town of Creswell, North Carolina, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Local Governmental Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions on pages 4 – 12 and 43 – 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Creswell, North Carolina's basic financial statements. The individual fund statements and schedules, other schedules, and Schedule of Expenditures of Federal and State Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

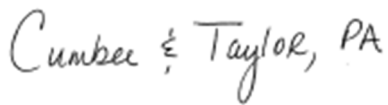
The individual fund statements and schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, and the procedures performed as described above, the individual fund statements and schedules, other schedules, and Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

To the Honorable Mayor and
Members of the Board of Commissioners
Town of Creswell, North Carolina
Page 3

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2022 on our consideration of Town of Creswell, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Creswell, North Carolina's internal control over financial reporting and compliance.

Cumbee & Taylor, PA

A handwritten signature in cursive script that reads "Cumbee & Taylor, PA".

Williamston, North Carolina
March 3, 2022

MANAGEMENT DISCUSSION AND ANALYSIS

Town of Creswell

Management's Discussion and Analysis

As management of the Town of Creswell, we offer readers of the Town of Creswell's financial statements this narrative overview and analysis of the financial activities of the Town of Creswell for the fiscal year ended June 30, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

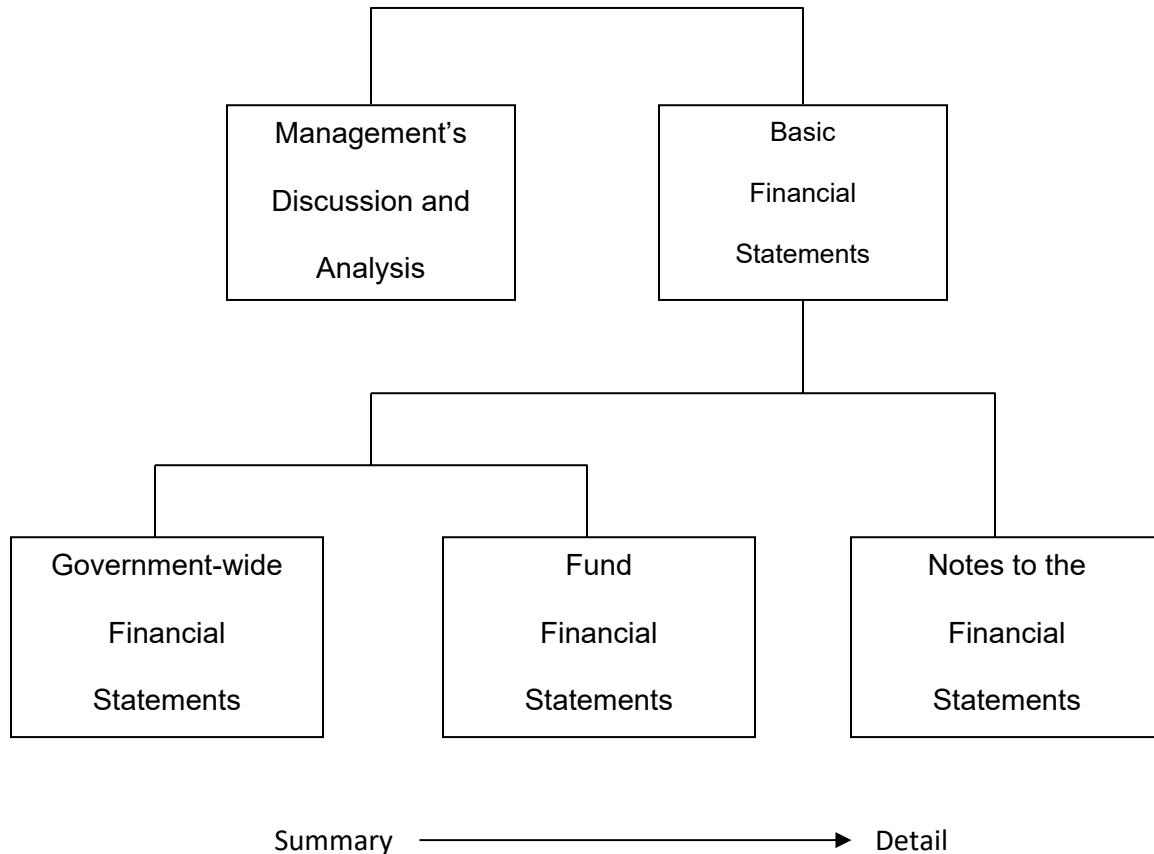
- The assets and deferred outflows of resources of the Town of Creswell exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$5,926,408 (*net position*).
- The government's total net position increased by \$496,013 primarily due to business-type activities net position.
- As of the close of the current fiscal year, the Town of Creswell's governmental fund (the General Fund) reported an ending fund balance of \$571,097 with a net increase of \$107,883 in fund balance. Approximately 17.32 percent of this total amount, or \$98,886, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$472,211 or 314.18 percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Creswell's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Creswell.

Town of Creswell Management's Discussion and Analysis

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental fund statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Town of Creswell Management's Discussion and Analysis

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and (2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Creswell.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Creswell, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Creswell can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Town of Creswell Management's Discussion and Analysis

The Town of Creswell adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – Town of Creswell has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Creswell uses an enterprise fund to account for its water and sewer activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 23 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Creswell's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 43 of this report.

Interdependence with Other Entities: The Town depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Town of Creswell Management's Discussion and Analysis

Government-Wide Financial Analysis

**Town of Creswell's Net Position
Figure 2**

| | Governmental Activities | | Business-type Activities | | Total | |
|---------------------------------------------------------------|----------------------------|----------------|-----------------------------|------------------|------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Current and other assets | \$ 578,992 | \$ 469,016 | \$ 353,800 | \$ 278,612 | \$ 932,792 | \$ 747,628 |
| Capital assets | 59,351 | 64,504 | 5,180,929 | 4,699,109 | 5,240,280 | 4,763,613 |
| Deferred outflows of resources | 5,598 | 3,112 | 34,290 | 21,723 | 39,888 | 24,835 |
| Total assets and deferred outflows of resources | 643,941 | 536,632 | 5,569,019 | 4,999,444 | 6,212,960 | 5,536,076 |
| Long-term liabilities outstanding | 10,189 | 5,475 | 211,394 | 51,484 | 221,583 | 56,959 |
| Other liabilities | 3,759 | 3,407 | 55,327 | 36,736 | 59,086 | 40,143 |
| Deferred inflows of resources | 847 | 1,293 | 5,036 | 7,286 | 5,883 | 8,579 |
| Total liabilities and deferred inflows of resources | 14,795 | 10,175 | 271,757 | 95,506 | 286,552 | 105,681 |
| Net position: | | | | | | |
| Net investment in capital assets | 59,351 | 64,504 | 5,028,209 | 4,684,631 | 5,087,560 | 4,749,135 |
| Restricted | 98,886 | 124,298 | - | - | 98,886 | 124,298 |
| Unrestricted | 470,909 | 337,655 | 269,053 | 219,307 | 739,962 | 556,962 |
| Total net position | \$ 629,146 | \$ 526,457 | \$ 5,297,262 | \$ 4,903,938 | \$ 5,926,408 | \$ 5,430,395 |

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Town of Creswell exceeded liabilities and deferred inflows of resources by \$5,926,408 as of June 30, 2021. The Town's net position increased by \$496,013 for the fiscal year ended June 30, 2021. However, the largest portion (85.8%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Creswell uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Creswell's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Creswell's net position, \$98,886, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$739,962 is unrestricted.

Town of Creswell Management's Discussion and Analysis

Several aspects of the Town of Creswell's financial operations positively influenced the total unrestricted governmental net position:

Town of Creswell's Change in Net Position
Figure 3

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------------------------------------------|-------------------------|------------|--------------------------|--------------|--------------|--------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ - | \$ - | \$ 378,137 | \$ 337,460 | \$ 378,137 | \$ 337,460 |
| Operating grants and contributions | 7,927 | 31,864 | - | - | 7,927 | 31,864 |
| Capital grants and contributions | - | - | 471,367 | 43,433 | 471,367 | 43,433 |
| General revenues: | | | | | | |
| Property taxes | 96,405 | 94,028 | 31,581 | - | 127,986 | 94,028 |
| Grants and contributions not restricted to specific programs | 73,453 | 67,849 | - | - | 73,453 | 67,849 |
| Other | 82,980 | 2,772 | 242 | 611 | 83,222 | 3,383 |
| Total revenues | 260,765 | 196,513 | 881,327 | 381,504 | 1,142,092 | 578,017 |
| Expenses: | | | | | | |
| General government | 133,119 | 158,336 | - | - | 133,119 | 158,336 |
| Public safety | 11,560 | 10,500 | - | - | 11,560 | 10,500 |
| Transportation | 13,397 | 1,242 | - | - | 13,397 | 1,242 |
| Environmental protection | - | 108 | - | - | - | 108 |
| Water and Sewer | - | - | 488,003 | 487,473 | 488,003 | 487,473 |
| Total expenses | 158,076 | 170,186 | 488,003 | 487,473 | 646,079 | 657,659 |
| Increase (decrease) in net position before transfers | 102,689 | 26,327 | 393,324 | (105,969) | 496,013 | (79,642) |
| Transfers | - | - | - | - | - | - |
| Increase (decrease) in net position | 102,689 | 26,327 | 393,324 | (105,969) | 496,013 | (79,642) |
| Net position, July 1, as previously reported | 526,457 | 500,130 | 4,903,938 | 5,011,207 | 5,430,395 | 5,511,337 |
| Prior period adjustment | - | - | - | (1,300) | - | (1,300) |
| Net position, July 1, as restated | 526,457 | 500,130 | 4,903,938 | 5,009,907 | 5,430,395 | 5,510,037 |
| Net position, June 30 | \$ 629,146 | \$ 526,457 | \$ 5,297,262 | \$ 4,903,938 | \$ 5,926,408 | \$ 5,430,395 |

Governmental activities. Governmental activities increased the Town's net position by \$102,689 primarily due to controlling expenditures and adhering to the budget.

Business-type activities: Business-type activities increased the Town of Creswell's net position by \$393,324, primarily as a result of an increase in rates, along with upgrades to the Town's water plant and replacing old meters with satellite meters.

Town of Creswell Management's Discussion and Analysis

Financial Analysis of the Town's Funds

As noted earlier, the Town of Creswell uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Town of Creswell's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Creswell's financing requirements.

The general fund is the chief operating fund of the Town of Creswell. At the end of the current fiscal year, the Town of Creswell's fund balance available in the General Fund was \$472,211, while total fund balance reached \$571,097.

General Fund Budgetary Highlights: During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

There were several reasons the Town of Creswell revised its budget throughout the year. The Town's unrestricted intergovernmental revenues exceeded the budgeted amounts. Although expenditures were compliant with budgetary requirements, the Town did amend the budget in the General Fund to account for unexpected expenditures.

Proprietary Funds. The Town of Creswell's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$269,053. The total increase in net position was \$393,324. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of Creswell's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Creswell's investment in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$5,240,280 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, and vehicles.

Major capital asset transactions during the year included the following:

Construction process for water assets of \$660,069.

Town of Creswell Management's Discussion and Analysis

Town of Creswell's Capital Assets (net of depreciation)

Figure 4

| | Governmental Activities | | Business-type Activities | | Total | |
|-------------------------------|-------------------------|------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Land | \$ 17,249 | \$ 17,249 | \$ - | \$ - | \$ 17,249 | \$ 17,249 |
| Buildings | 19,875 | 20,763 | 20,995 | 28,106 | 40,870 | 48,869 |
| Plant and distribution system | - | - | 4,438,028 | 4,607,666 | 4,438,028 | 4,607,666 |
| Other improvements | 4,939 | 6,687 | - | - | 4,939 | 6,687 |
| Machinery and equipment | 2,722 | 4,195 | 3,926 | 5,426 | 6,648 | 9,621 |
| Infrastructure | 14,566 | 15,610 | - | - | 14,566 | 15,610 |
| Construction in process | - | - | 717,980 | 57,911 | 717,980 | 57,911 |
| Total | \$ 59,351 | \$ 64,504 | \$ 5,180,929 | \$ 4,699,109 | \$ 5,240,280 | \$ 4,763,613 |

Additional information on the Town's capital assets can be found in Note III.A.3 of the Basic Financial Statements.

Long-Term Debt and Liabilities.

Town of Creswell's Outstanding Debt and Long-term Liabilities

Figure 5

| | Governmental Activities | | Business-type Activities | | Total | |
|-------------------------------|-------------------------|-----------------|--------------------------|------------------|-------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Compensated absences | \$ 2,334 | \$ 1,375 | \$ 7,723 | \$ 3,899 | \$ 10,057 | \$ 5,274 |
| State revolving loan | - | - | 162,160 | 14,478 | 162,160 | 14,478 |
| Net pension liability (LGERS) | 9,883 | 5,285 | 58,369 | 35,133 | 68,252 | 40,418 |
| Total | \$ 12,217 | \$ 6,660 | \$ 228,252 | \$ 53,510 | \$ 240,469 | \$ 60,170 |

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town is \$1,538,464.

Additional information regarding the Town's long-term debt and liabilities can be found in Note III.B.5 of this report.

Town of Creswell Management's Discussion and Analysis

Economic Factors and Next Year's Budgets and Rates

The following key economic factors related to the growth of the Town.

- The Town is expected to complete the Water Treatment Plant Improvement Project in October 2021.
- New Manufacturing jobs. The Town added approximately 30 new jobs last year with the opening of Dollar General, Barnyard Betsy and Mood Swings.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities: The property tax rate will remain at \$0.50 per \$100 valuation. Budgeted expenditures in the General Fund are expected to increase 2% to \$169,467. The largest expenditures are in employee compensation, including compensation and benefits adjustments and the maintenance of public buildings and roadways.

Business – type Activities: Water and sewer rates will remain the same as last year. General operating expenses will increase by 2.5% to cover increased personnel costs, and 2.5% to cover increased costs of material, supplies, and other operating expenses.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Town of Creswell, PO Box 68, Creswell, NC 27928.

BASIC FINANCIAL STATEMENTS

Town of Creswell
Statement of Net Position
June 30, 2021
Exhibit 1

| | Primary Government | | |
|-----------------------------------------------------------------|--------------------|---------------|--------------|
| | Governmental | Business-type | |
| | Activities | Activities | Total |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 473,942 | \$ 224,649 | \$ 698,591 |
| Taxes receivables (net) | 6,164 | - | 6,164 |
| Accounts receivable (net) - billed | - | 35,633 | 35,633 |
| Accounts receivable (net) - unbilled | - | 16,386 | 16,386 |
| Due from other governments | 23,068 | 61,047 | 84,115 |
| Inventories | - | 9,285 | 9,285 |
| Restricted cash and cash equivalents | 75,818 | 6,800 | 82,618 |
| Total current assets | 578,992 | 353,800 | 932,792 |
| Non-current assets: | | | |
| Capital assets: | | | |
| Land, non-depreciable improvements, and construction in process | 17,249 | 717,980 | 735,229 |
| Other capital assets, net of depreciation | 42,102 | 4,462,949 | 4,505,051 |
| Total capital assets | 59,351 | 5,180,929 | 5,240,280 |
| Total assets | 638,343 | 5,534,729 | 6,173,072 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension deferrals | 5,598 | 34,290 | 39,888 |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | 1,731 | 31,669 | 33,400 |
| Current portion of long-term liabilities | 2,028 | 16,858 | 18,886 |
| Liabilities payable from restricted assets: | | | |
| Customer deposits | - | 6,800 | 6,800 |
| Total current liabilities | 3,759 | 55,327 | 59,086 |
| Long-term liabilities: | | | |
| Due in more than one year | 306 | 153,025 | 153,331 |
| Net pension liability | 9,883 | 58,369 | 68,252 |
| Total liabilities | 13,948 | 266,721 | 280,669 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pension deferrals | 847 | 5,036 | 5,883 |
| NET POSITION | | | |
| Net investment in capital assets | 59,351 | 5,028,209 | 5,087,560 |
| Restricted for: | | | |
| Stabilization by State Statute | 23,068 | - | 23,068 |
| Streets | 75,818 | - | 75,818 |
| Unrestricted | 470,909 | 269,053 | 739,962 |
| Total net position | \$ 629,146 | \$ 5,297,262 | \$ 5,926,408 |

The accompanying notes are an integral part of these financial statements.

Town of Creswell
Statement of Activities
For the Fiscal Year Ended June 30, 2021
Exhibit 2

| | | Program Revenues | | |
|--------------------------------|------------|----------------------|------------------------------------|----------------------------------|
| Functions/Programs | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government: | | | | |
| Governmental Activities: | | | | |
| General government | \$ 133,119 | \$ - | \$ - | \$ - |
| Public safety | 11,560 | - | - | - |
| Transportation | 13,397 | - | 7,927 | - |
| Total governmental activities | 158,076 | - | 7,927 | - |
| Business-type activities: | | | | |
| Water and sewer | 488,003 | 378,137 | - | 471,367 |
| Total business-type activities | 488,003 | 378,137 | - | 471,367 |
| Total primary government | \$ 646,079 | \$ 378,137 | \$ 7,927 | \$ 471,367 |

The accompanying notes are an integral part of these financial statements.

Town of Creswell
Statement of Activities
For the Fiscal Year Ended June 30, 2021
Exhibit 2

| Functions/Programs | Net (Expense) Revenue and Changes in Net Position | | |
|--------------------------------------------------------------|------------------------------------------------------|---------------------------------|--------------|
| | Primary Government | | |
| | Governmental Activities | Business- type Activities | Total |
| Primary government: | | | |
| Governmental Activities: | | | |
| General government | \$ (133,119) | \$ - | \$ (133,119) |
| Public safety | (11,560) | - | (11,560) |
| Transportation | (5,470) | - | (5,470) |
| Total governmental activities | (150,149) | - | (150,149) |
| Business-type activities: | | | |
| Water and sewer | - | 361,501 | 361,501 |
| Total business-type activities | - | 361,501 | 361,501 |
| Total primary government | (150,149) | 361,501 | 211,352 |
| General revenues: | | | |
| Taxes: | | | |
| Property taxes, levied for general purpose | 96,405 | - | 96,405 |
| Grants and contributions not restricted to specific programs | 73,453 | 31,581 | 105,034 |
| Unrestricted investment earnings | 1,525 | 242 | 1,767 |
| Miscellaneous | 81,455 | - | 81,455 |
| Total general revenues | 252,838 | 31,823 | 284,661 |
| Change in net positon | 102,689 | 393,324 | 496,013 |
| Net position, beginning | 526,457 | 4,903,938 | 5,430,395 |
| Net position, ending | \$ 629,146 | \$5,297,262 | \$5,926,408 |

The accompanying notes are an integral part of these financial statements.

Town of Creswell
Balance Sheet – Governmental Fund
June 30, 2021
Exhibit 3

| | Major Fund General Fund | Total Governmental Fund |
|--------------------------------------------------------------------------------------------------------------------------|----------------------------|----------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 473,942 | \$ 473,942 |
| Restricted cash and cash equivalents | 75,818 | 75,818 |
| Receivables, net: | | |
| Taxes | 6,164 | 6,164 |
| Due from other governments | 23,068 | 23,068 |
| Total assets | \$ 578,992 | \$ 578,992 |
| LIABILITIES AND FUND BALANCES | | |
| Liabilities: | | |
| Accounts payable and accrued liabilities | \$ 1,731 | \$ 1,731 |
| Total liabilities | 1,731 | 1,731 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Property taxes receivable | 6,164 | 6,164 |
| Total deferred inflows of resources | 6,164 | 6,164 |
| FUND BALANCES: | | |
| Restricted | | |
| Stabilization by State Statute | 23,068 | 23,068 |
| Streets | 75,818 | 75,818 |
| Assigned | | |
| Subsequent year expenditures | 4,501 | 4,501 |
| Unassigned | 467,710 | 467,710 |
| Total fund balances | 571,097 | 571,097 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 578,992 | |
| Amounts reported for governmental activities in the statement of Net Position (Exhibit 1) are different because: | | |
| Total Fund Balance, Governmental Funds | | 571,097 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | |
| Gross capital assets at historical cost | 342,996 | |
| Accumulated depreciation | (283,645) | 59,351 |
| Deferred outflows of resources related to pensions are not reported in the funds | | |
| | | 5,599 |
| Earned revenues considered deferred inflows of resources in fund statements | | |
| | | 6,164 |
| Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds | | |
| Compensated absences | (2,334) | |
| Net pension liability | (9,883) | (12,217) |
| Deferred inflows of resources related to pensions are not reported in the funds | | |
| | | (847) |
| Net position of governmental activities | | \$ 629,147 |

The accompanying notes are an integral part of these financial statements.

Town of Creswell
Statement of Revenues, Expenditures, and Change
in Fund Balance –Governmental Fund
For the Fiscal Year Ended June 30, 2021
Exhibit 4

| | <u>Major Fund</u> <u>General Fund</u> | <u>Total</u> <u>Governmental Fund</u> |
|---------------------------------------------------|------------------------------------------|------------------------------------------|
| Revenues: | | |
| Ad valorem taxes | \$ 93,821 | \$ 93,821 |
| Unrestricted intergovernmental | 73,453 | 73,453 |
| Restricted intergovernmental | 7,927 | 7,927 |
| Investment earnings | 1,525 | 1,525 |
| Miscellaneous | 81,455 | 81,455 |
| Total revenues | 258,181 | 258,181 |
| Expenditures: | | |
| Current: | | |
| General government | 126,385 | 126,385 |
| Public safety | 11,560 | 11,560 |
| Transportation | 12,353 | 12,353 |
| Total expenditures | 150,298 | 150,298 |
| Excess (deficiency) of revenues over expenditures | | |
| Net change in fund balance | 107,883 | 107,883 |
| Fund balance, beginning | 463,214 | 463,214 |
| Fund balance, ending | \$ 571,097 | \$ 571,097 |

The accompanying notes are an integral part of these financial statements.

Town of Creswell
Statement of Revenues, Expenditures, and Change
in Fund Balance –Governmental Fund
For the Fiscal Year Ended June 30, 2021
Exhibit 4

Amounts reported for governmental activities in the Statement of Activities are different because:

| | |
|-------------------------------------------------------|------------|
| Net changes in fund balance - total governmental fund | \$ 107,883 |
|-------------------------------------------------------|------------|

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

| | | |
|---------------------------------------------------|---------|---------|
| Capital outlay expenditures that were capitalized | - | |
| Depreciation expense for governmental assets | (5,153) | (5,153) |

| | |
|--------------------------------------------------------------------------------------------------------------|-------|
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities | 1,792 |
|--------------------------------------------------------------------------------------------------------------|-------|

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

| | |
|------------------------------------------------|-------|
| Change in unavailable revenue for tax revenues | 2,584 |
|------------------------------------------------|-------|

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

| | | |
|----------------------|---------|---------|
| Compensated absences | (959) | |
| Pension expense | (3,458) | (4,417) |

| | |
|----------------------------------------------------------|-------------------|
| Total changes in net position of governmental activities | \$ <u>102,689</u> |
|----------------------------------------------------------|-------------------|

The accompanying notes are an integral part of these financial statements.

Town of Creswell

**Statement of Revenues, Expenditures, and Change
in Fund Balance – Annual Budget and Actual – General Fund
For the Fiscal Year Ended June 30, 2021
Exhibit 5**

| | General Fund | | | Variance with Final Budget - Positive (Negative) |
|------------------------------------|--------------|-----------|-------------------|-----------------------------------------------------------|
| | Original | Final | Actual Amounts | |
| Revenues: | | | | |
| Ad valorem taxes | \$ 88,310 | \$ 88,310 | \$ 93,821 | \$ 5,511 |
| Unrestricted intergovernmental | 69,570 | 69,570 | 73,453 | 3,883 |
| Restricted intergovernmental | 7,485 | 7,485 | 7,927 | 442 |
| Investment earnings | - | - | 1,525 | 1,525 |
| Miscellaneous | 350 | 350 | 81,455 | 81,105 |
| Total revenues | 165,715 | 165,715 | 258,181 | 92,466 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 138,635 | 150,355 | 126,385 | 23,970 |
| Public safety | 5,000 | 11,560 | 11,560 | - |
| Transportation | 8,000 | 20,353 | 12,353 | 8,000 |
| Environmental protection | 800 | 800 | - | 800 |
| Contingency | 13,280 | - | - | - |
| Total expenditures | 165,715 | 183,068 | 150,298 | 32,770 |
| Revenues over (under) expenditures | - | (17,353) | 107,883 | 125,236 |
| Fund balance appropriated | - | 17,353 | - | (17,353) |
| Net change in fund balance | \$ - | \$ - | 107,883 | \$ 107,883 |
| Fund balance, beginning | | | 463,214 | |
| Fund balance, ending | | | \$ 571,097 | |

The accompanying notes are an integral part of these financial statements.

Town of Creswell
Statement of Fund Net Position – Proprietary Fund
June 30, 2021
Exhibit 6

| | Major Enterprise Fund | |
|---------------------------------------------|-------------------------|--------------|
| | Water and Sewer Fund | Total |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 224,649 | \$ 224,649 |
| Accounts receivable (net) - billed | 35,633 | 35,633 |
| Accounts receivable (net) - unbilled | 16,386 | 16,386 |
| Due from other governments | 61,047 | 61,047 |
| Inventories | 9,285 | 9,285 |
| Restricted assets: | | |
| Cash and cash equivalents | 6,800 | 6,800 |
| Total current assets | 353,800 | 353,800 |
| Noncurrent assets: | | |
| Capital assets: | | |
| Construction in process | 717,980 | 717,980 |
| Other capital assets, net of depreciation | 4,462,949 | 4,462,949 |
| Capital assets (net) | 5,180,929 | 5,180,929 |
| Total noncurrent assets | 5,180,929 | 5,180,929 |
| Total assets | \$ 5,534,729 | \$ 5,534,729 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Pension deferrals | \$ 34,290 | \$ 34,290 |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | 31,669 | 31,669 |
| Compensated absences - current | 7,418 | 7,418 |
| State revolving loan - current | 9,440 | 9,440 |
| Liabilities payable from restricted assets: | | |
| Customer deposits | 6,800 | 6,800 |
| Total current liabilities | 55,327 | 55,327 |
| Noncurrent liabilities: | | |
| Compensated absences | 305 | 305 |
| State revolving loan | 152,720 | 152,720 |
| Net pension liability | 58,369 | 58,369 |
| Total liabilities | 266,721 | 266,721 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Pension deferrals | 5,036 | 5,036 |
| NET POSITION | | |
| Net investment in capital assets | 5,028,209 | 5,028,209 |
| Unrestricted | 269,053 | 269,053 |
| Total net position | \$ 5,297,262 | \$ 5,297,262 |

The accompanying notes are an integral part of these financial statements.

Town of Creswell
Statement of Revenues, Expenses, and Changes in Fund Net Position –
Proprietary Fund
For the Fiscal Year Ended June 30, 2021
Exhibit 7

| | Major Enterprise Fund | |
|----------------------------------------|-------------------------|--------------|
| | Water and Sewer Fund | Total |
| Operating revenues: | | |
| Charges for services | \$ 378,137 | \$ 378,137 |
| Total operating revenues | 378,137 | 378,137 |
| Operating expenses: | | |
| Administration | 294,623 | 294,623 |
| Treatment plant | 15,131 | 15,131 |
| Depreciation | 178,249 | 178,249 |
| Total operating expenses | 488,003 | 488,003 |
| Operating income (loss) | (109,866) | (109,866) |
| Nonoperating revenues: | | |
| Investment earnings | 242 | 242 |
| FEMA - Hurricane Matthew | 31,581 | 31,581 |
| Total nonoperating revenues (expenses) | 31,823 | 31,823 |
| Income (loss) before contributions | (78,043) | (78,043) |
| Capital contributions | 471,367 | 471,367 |
| Change in net position | 393,324 | 393,324 |
| Total net position, beginning | 4,903,938 | 4,903,938 |
| Total net position, ending | \$ 5,297,262 | \$ 5,297,262 |

The accompanying notes are an integral part of these financial statements.

Town of Creswell
Statement of Cash Flows – Proprietary Fund
For the Fiscal Year Ended June 30, 2021
Exhibit 8

| | Major Enterprise Fund |
|-------------------------------------------------------------------------------------------------------|--------------------------|
| | Water and Sewer Fund |
| Cash flows from operating activities: | |
| Cash received from customers | \$ 379,329 |
| Cash paid for goods and services | (154,956) |
| Cash paid to or on behalf of employees for services | (140,007) |
| Customer deposits received | 1,100 |
| Net cash provided (used) by operating activities | 85,466 |
| Cash flows from noncapital financing activities: | |
| Increase (decrease) in due to other funds | (36,677) |
| Net cash provided (used) by noncapital financing activities | (36,677) |
| Cash flows from capital and related financing activities: | |
| State revolving loan proceeds | 157,122 |
| Principal paid - direct borrowings | (9,440) |
| Acquisition and construction of capital assets | (660,069) |
| Capital contributions - FEMA | 31,581 |
| Capital contributions - State grants | 471,367 |
| Net cash provided (used) by capital and related financing activities | (9,439) |
| Cash flows from investing activities: | |
| Interest income | 242 |
| Net cash provided (used) by investing activities | 242 |
| Net increase (decrease) in cash and cash equivalents | 39,592 |
| Cash and cash equivalents, July 1 | 191,857 |
| Cash and cash equivalents, June 30 | \$ 231,449 |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | |
| Operating income (loss) | \$ (109,866) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | |
| Depreciation | 178,249 |
| Change in assets, deferred outflows of resources, and liabilities: | |
| (Increase) decrease in accounts receivable | 1,192 |
| (Increase) decrease in inventories | (111) |
| (Increase) decrease in deferred outflows of resources - pensions | (12,567) |
| Increase (decrease) in net pension liability | 23,236 |
| Increase (decrease) in deferred inflows of resources - pensions | (2,250) |
| Increase (decrease) in accounts payable and accrued liabilities | 2,659 |
| Increase (decrease) in compensated absences | 3,824 |
| Increase (decrease) in customer deposits | 1,100 |
| Total adjustments | 195,332 |
| Net cash provided (used) by operating activities | \$ 85,466 |

The accompanying notes are an integral part of these financial statements.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Creswell conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Creswell is a municipal corporation that is governed by an elected mayor and a four-member Board. As required by generally accepted accounting principles, these financial statements present the financial information of the Town.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a specific program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

Town of Creswell

Notes to Financial Statements

The Town reports the following major governmental fund:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, state grants, and various other taxes and licenses. The primary expenditures are for general government, public safety, street maintenance and construction, and environmental protection.

The Town reports the following major enterprise fund:

Water and Sewer Fund. This fund is used to account for the Town's water and sewer operations. A Water and Sewer Capital Projects Fund has been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparison for the Water and Sewer Capital Projects Fund has been included in the supplemental information.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting.

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise fund are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Town of Creswell

Notes to Financial Statements

Governmental Fund Financial Statements. The Governmental fund is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in the governmental fund. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Creswell because the tax is levied by Washington County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Enterprise Capital Projects Funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for multi-year funds. All amendments must be approved by the governing board and the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

Town of Creswell
Notes to Financial Statements

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund Equity

1. Deposits and Investments

All deposits of the Town are made in Board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high-quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

The Town had no such investments at June 30, 2021.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents. The Town Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

Powell bill funds are classified as restricted cash because they can be expended only for the purpose of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. Customer deposits held by the Town before any goods and/or services are given and/or supplied are restricted to the purpose for which the deposit is collected.

| | |
|----------------------------------|-----------|
| Town of Creswell Restricted Cash | |
| Governmental Activities | |
| General Fund | |
| Streets | \$ 75,818 |
| Business-type Activities | |
| Water and Sewer Fund | |
| Customer deposits | 6,800 |
| Total restricted cash | \$ 82,618 |

Town of Creswell

Notes to Financial Statements

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2020.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

6. Inventories

The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The inventories of the Town's enterprise fund consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. The Town has a capitalization policy of \$1,500. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| <u>Asset Class</u> | <u>Estimated Useful Lives</u> |
|--------------------|-------------------------------|
| Buildings | 40 |
| Infrastructure | 30 |
| Water system | 10-50 |
| Equipment | 7 |
| Vehicles | 5 |

Town of Creswell

Notes to Financial Statements

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, pension deferrals for the 2021 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category - property taxes receivable and pension deferrals.

9. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

10. Compensated Absences

The vacation policy of the Town provides vacation leave for the Town's full-time employees. Effective with the June 30, 2021 fiscal year, these employees can carryover up to 240 hours of unused vacation leave at year end. Any unused vacation leave in excess of 240 hours is transferred to sick leave. The Town also gives employees compensatory time off for hours worked over forty in one week. Compensatory hours cannot be accrued for more than 240 hours. If an employee terminates employment, the accrued vacation leave and compensatory time off will be paid to the employee based on the employee's current rate of pay. For the Town's government-wide and proprietary funds, an expense and liability for compensated absences are recorded as the leave is earned. The Town has assumed a last-in, first out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide and proprietary fund financial statements.

The Town's sick leave policies provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications, as applicable designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

Town of Creswell

Notes to Financial Statements

The governmental fund types classify fund balance as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State Statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS) is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

Restricted for Streets – Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by a majority vote by quorum of the Town's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned fund balance – portion of fund balance that the Town intends to use for specific purposes.

Subsequent year expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$500.

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

Town of Creswell

Notes to Financial Statements

The Town of Creswell has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Town will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-town funds, town funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Town Board has the authority to deviate from this policy if it is in the best interest of the Town.

12. Defined Benefit Cost-Sharing Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Creswell's employer contributions are recognized when due and the Town of Creswell has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

13. Use of Estimates

The preparation of the financial statements in conformity with accounting principles general accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

14. Subsequent Events – Date of Management's Evaluation

Management has evaluated subsequent events through March 3, 2022, the date which the financial statements were available to be issued.

NOTE II – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Significant Violations of Finance-Related Legal and Contractual Provisions

Excess of Expenditures over Appropriations

The Town was overbudget in its Water and Sewer Fund in two areas; Sewer Administration and Capital Outlay. The Town overspent Sewer Administration by \$3,002 and Capital Outlay by \$18,181. The over-expenditure of Capital Outlay is due to the purchase of a generator for the sewer plant. The Town spent \$31,581 of grant money they are to receive from FEMA on the generator. The Town did not amend its budget for the FEMA grant revenue nor the offsetting expenditure. The overspent Administration expenditures was an oversight. Management and the Board will more closely review the budget reports to ensure compliance in future years.

Town of Creswell

Notes to Financial Statements

Noncompliance with North Carolina General Statutes

During the June 30, 2021 fiscal year, the Town paid civil penalties of \$600 for violations of N.C.G.S 143-215.1(a)(6) due to failure to timely submit the July 2020 discharge monitoring report to the North Carolina Department of Environmental Quality. The Town paid similar penalties of \$1,200 in the prior year and subsequent to year end has paid civil penalties totaling \$4,600 for late submission of reports for the months October through December 2021. The Town should file all monitoring reports timely with the State agency. The Town will make sure all monthly monitoring reports are filed by the last day of the following month as per state requirements.

NOTE III – DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provision of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021, the Town's deposits had a carrying amount of \$781,009 and a bank balance of \$803,428. Of the bank balances, \$461,845 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2021 the Town's petty cash fund totaled \$200.

Town of Creswell
Notes to Financial Statements

2. Receivables – Allowance for Doubtful Accounts

The amounts presented in the Balance sheet and the Statement of Net Position for the year ended June 30, 2021 are net of the following allowances for doubtful accounts:

| | |
|--------------------------------------------|------------------|
| General Fund: | |
| Taxes receivable | \$ 750 |
| Enterprise Fund: | |
| Water and Sewer Fund - accounts receivable | 28,209 |
| Total | \$ 28,959 |

3. Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|----------------------------------------------------|-----------------------|-----------------|-------------|--------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 17,249 | \$ - | \$ - | \$ 17,249 |
| Capital assets being depreciated: | | | | |
| Buildings | 65,500 | - | - | 65,500 |
| Other Improvements | 114,993 | - | - | 114,993 |
| Machinery and equipment | 113,938 | - | - | 113,938 |
| Infrastructure | 31,316 | - | - | 31,316 |
| Total capital assets being depreciated | 325,747 | - | - | 325,747 |
| Less accumulated depreciation for: | | | | |
| Buildings | 44,737 | 888 | - | 45,625 |
| Other Improvements | 108,306 | 1,748 | - | 110,054 |
| Machinery and equipment | 109,743 | 1,473 | - | 111,216 |
| Infrastructure | 15,706 | 1,044 | - | 16,750 |
| Total accumulated depreciation | 278,492 | \$ 5,153 | \$ - | 283,645 |
| Total capital assets being depreciated, net | 47,255 | | | 42,102 |
| Governmental activities capital assets, net | \$ 64,504 | | | \$ 59,351 |

Depreciation expense was charged to function/programs of the Town as follows:

| | |
|-----------------------------------|-----------------|
| General government | \$ 4,109 |
| Transportation | 1,044 |
| Total depreciation expense | \$ 5,153 |

Town of Creswell
Notes to Financial Statements

| | Beginning Balances | Increases | Decreases | Ending Balances |
|-----------------------------------------------------|-----------------------|------------|-----------|---------------------|
| Business-type activities: | | | | |
| Water and Sewer Fund | | | | |
| Capital assets not being depreciated: | | | | |
| Construction in process | \$ 57,911 | \$ 660,069 | \$ - | \$ 717,980 |
| Capital assets being depreciated: | | | | |
| Buildings | 70,354 | - | - | 70,354 |
| Equipment | 45,066 | - | - | 45,066 |
| Vehicles | 66,631 | - | - | 66,631 |
| Plant and distribution system | 7,294,432 | - | - | 7,294,432 |
| Total capital assets being depreciated | 7,476,483 | - | - | 7,476,483 |
| Less accumulated depreciation for: | | | | |
| Buildings | 42,248 | 7,111 | - | 49,359 |
| Equipment | 39,640 | 1,500 | - | 41,140 |
| Vehicles | 66,631 | - | - | 66,631 |
| Plant and distribution system | 2,686,766 | 169,638 | - | 2,856,404 |
| Total accumulated depreciation | 2,835,285 | \$ 178,249 | \$ - | 3,013,534 |
| Total capital assets being depreciated, net | 4,641,198 | | | 4,462,949 |
| Business-type activities capital assets, net | \$ 4,699,109 | | | \$ 5,180,929 |

Construction Commitments

In September 2019, the North Carolina Department of Environmental Quality awarded the Town a \$755,170 Drinking Water State Reserve grant/loan combination for water treatment plant improvements. The combination is 75% grant and 25% loan at 0% interest rate for 20 years.

A summary of related contract commitments are as follows:

| Project | Spent-to-date | Remaining Commitment |
|------------------------------------------|---------------|-------------------------|
| Water and Sewer Fund: | | |
| Wastewater Treatment Plant Improvements: | | |
| Engineering and Administration | \$ 134,869 | \$ 12,600 |
| Construction | 537,988 | 52,250 |
| Total | \$ 672,857 | \$ 64,850 |

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Creswell is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Creswell employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Creswell's contractually required contribution rate for the year ended June 30, 2021, was 10.18% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Creswell were \$12,200 for the year ended June 30, 2021.

Town of Creswell
Notes to Financial Statements

Refunds of Contributions – Town employees, who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions, or any other benefit provided by LGERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the Town reported a liability of \$68,252 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020 (measurement date), the Town's proportion was .00191% which was an increase of 0.00043% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$22,283. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|-----------------------------------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Differences between expected and actual experience | \$ 8,619 | \$ - |
| Changes of assumptions | 5,079 | - |
| Net difference between projected and actual earnings on pension plan investments | 9,605 | - |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 4,385 | 5,883 |
| Town contributions subsequent to the measurement date | 12,200 | - |
| Total | \$ 39,888 | \$ 5,883 |

\$12,200 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Town of Creswell

Notes to Financial Statements

Year ended June 30:

| | |
|------------|-----------|
| 2022 | \$ 5,615 |
| 2023 | 8,210 |
| 2024 | 5,138 |
| 2025 | 2,842 |
| 2026 | - |
| Thereafter | - |
| | \$ 21,805 |

Actuarial Assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---------------------------------------------------------------------------|
| Inflation | 3.0 percent |
| Salary increases | 3.50 to 8.10 percent, including inflation and productivity factor |
| Investment rate of return | 7.00 percent, net of pension plan investment expense, including inflation |

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns, and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

Town of Creswell
Notes to Financial Statements

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|----------------------|--------------------------|---------------------------------------------------|
| Fixed income | 29.0% | 1.4% |
| Global Equity | 42.0% | 5.3% |
| Real Estate | 8.0% | 4.3% |
| Alternatives | 8.0% | 8.9% |
| Credit | 7.0% | 6.0% |
| Inflation Protection | 6.0% | 4.0% |
| Total | 100% | |

The information above is based on 30-year expectations developed with the consulting actuary for the 2019 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

| | 1% Decrease (6.00%) | Discount Rate (7.00%) | 1% Increase (8.00%) |
|-----------------------------------------------------------------|------------------------------------|--------------------------------------|------------------------------------|
| Town's proportionate share of the net pension liability (asset) | \$138,477 | \$ 68,252 | \$ 9,891 |

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

Town of Creswell
Notes to Financial Statements

2. Other Employment Benefit

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

The Town has several deferred outflows of resources. Deferred outflows of resources are comprised of the following:

| Source | Amount |
|---------------------------------------------------------------------------------------------------------------|------------------|
| Contributions to pension plan in current fiscal year | \$ 12,200 |
| Differences between expected and actual experience | 8,619 |
| Changes of assumptions | 5,079 |
| Net difference between projected and actual earnings on pension plan investments | 9,605 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 4,385 |
| Total | \$ 39,888 |

Deferred inflows of resources at year-end is comprised of the following:

| | Statement of Net Position | General Fund Balance Sheet |
|---------------------------------------------------------------------------------------------------------------|------------------------------|-------------------------------|
| Taxes receivable (General Fund) | \$ - | \$ 6,164 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 5,883 | - |
| Total | \$ 5,883 | \$ 6,164 |

Town of Creswell

Notes to Financial Statements

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general and auto liability coverage of \$5 million per occurrence, property coverage up to the total insured values of property policy, workers' compensation coverage up to the statutory limits and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Medical stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar costs levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

Town owned facilities and properties are not located within a designated flood plan. Based upon this designation, the Town has not purchased flood insurance through the National Flood Insurance Plan.

In accordance with G.S. 159-29, Town employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$50,000.

5. Long-Term Obligations

State Revolving Loans

Serviced by Business-Type Activities

The Town has an outstanding State Revolving Fund loan promissory note from direct borrowings related to enterprise activities, secured solely from the revenues of the benefited enterprise system. The note contains provisions that in the event of default, any other monies due to the Town from the State may be withheld by the State and applied to the payment of the revolving loan obligation.

Town of Creswell
Notes to Financial Statements

A revolving loan note from a direct borrowing was executed on April 16, 2020 in the amount of \$188,792, due in annual principal installments on May 1st each year, not to exceed 20 years, 0% interest per annum. This revolving loan is being drawn down on a project cost reimbursement basis, and the first principal payment is due not earlier than six months after the date of completion of the Project. The date of completion of the project is October 26, 2021.

| | | |
|--------------|-----------|----------------|
| | \$ | 162,160 |
| Total | \$ | 162,160 |

Annual debt service requirements to maturity for long-term obligations are as follows:

| Year Ending June 30 | Loans Principal |
|------------------------|--------------------|
| 2022 | \$ 9,440 |
| 2023 | 9,440 |
| 2024 | 9,440 |
| 2025 | 9,440 |
| 2026 | 9,440 |
| 2027-2031 | 47,200 |
| 2032-2036 | 47,200 |
| 2037-2040 | 20,560 |
| | \$ 162,160 |

Changes in Long-Term Liabilities

| | Beginning Balance | Increases | Decreases | Ending Balance | Current Portion of Balance |
|---------------------------------------------|----------------------|-----------|-----------|-------------------|-------------------------------|
| Governmental Activities: | | | | | |
| Compensated absences | \$ 1,375 | \$ 2,987 | \$ 2,028 | \$ 2,334 | \$ 2,028 |
| Net pension liability (LGRS) | 5,285 | 6,613 | 2,015 | 9,883 | - |
| Governmental activity long-term liabilities | \$ 6,660 | \$ 9,600 | \$ 4,043 | \$ 12,217 | \$ 2,028 |

Business-type Activities:

| | | | | | |
|-----------------------------------------|-----------|------------|-----------|------------|-----------|
| Compensated absences | \$ 3,899 | \$ 12,007 | \$ 8,183 | \$ 7,723 | \$ 7,418 |
| State revolving loan | 14,478 | 157,122 | 9,440 | 162,160 | 9,440 |
| Net pension liability (LGRS) | 35,133 | 33,421 | 10,185 | 58,369 | - |
| Business activity long-term liabilities | \$ 53,510 | \$ 202,550 | \$ 27,808 | \$ 228,252 | \$ 16,858 |

At June 30, 2020, the Town has a legal debt margin of \$1,538,464.

Town of Creswell
Notes to Financial Statements

C. Fund Balance

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation :

Fund Balance

| | |
|-----------------------------------|-------------------|
| Total fund balance - General Fund | \$ 571,097 |
| Less: | |
| Stabilization by State Statute | 23,068 |
| Streets - Powell Bill | 75,818 |
| Remaining Fund Balance | <u>\$ 472,211</u> |

NOTE IV – JOINTLY GOVERNED ORGANIZATION

The Town, in conjunction with ten counties and fifteen other municipalities, is a member of the Albemarle Commission. The participating governments established the Commission to coordinate various funding received from Federal and State agencies. Each participating municipality appoints one member and each participating county government appoints three members to the Commission's governing board. The Town paid membership fees of \$350 to the Commission during the fiscal year ended June 30, 2021.

NOTE V – SUMMARY OF DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

The Town has received proceeds from several federal and State grants. Periodic audits of these grants are required, and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

NOTE VI – MAJOR TAXPAYERS/CUSTOMER

The Town has one major taxpayer who accounted for 30% of the property taxes levied for the fiscal year ending June 30, 2021. Also, five taxpayers represent 75% of the taxes receivable balance at June 30, 2021. Tyrrell County is the Town's sole major customer for water/sewer utility billings for the fiscal year ending June 30, 2021. The County's billings comprised approximately 29% of the Town's gross utility billings and 14% of accounts receivable balance before the allowance for doubtful accounts.

Town of Creswell

Notes to Financial Statements

NOTE VII - COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The Town continues to develop contingency plans to mitigate work stoppage where possible. Absent any government order or contagion of its workforce, the Town plans to continue its normal operations while taking all reasonable efforts to protect its citizens and employees. The Town's financial position and results of operations as of and for the fiscal year ended June 30, 2021 have not been materially impacted with this pandemic through that date. However, the Town cannot reasonably estimate the length or severity of this pandemic or the extent to which the disruption may materially impact its future financial statements through the distribution of intergovernmental revenues by the State of North Carolina, state and federal grant funding and collection of property and vehicle taxes and customer utility payments. The Town has re-instated the collection of utilities billings after executive order of the Governor suspended its cut-off policies for non-payment of utilities and extended payment options for its utilities customers to begin the fiscal year.

Note VIII - Subsequent Events

On March 11, 2021, the American Rescue Plan (ARP) Act of 2021 was signed into law and the State of North Carolina will receive a share of the funding and will disburse funds to municipalities. In June 2021, the Town was awarded \$74,575 of funding through the State of North Carolina's Local Fiscal Recovery Funds. The funds are to be used for COVID-19 relief and economic recovery measures. The Town has until 2026 to expend these funds as long as the funds are obligated by 2024. The Town received its first installment of \$37,288 in July 2021. The second installment will be released no sooner than one year after the first installment.

REQUIRED SUPPLEMENTARY FINANCIAL DATA

This section contains additional information required by generally accepted accounting principles.

- Schedule of the Proportionate Share of Net Pension Liability (Asset) for Local Governmental Employees' Retirement System
- Schedule of Contributions to Local Governmental Employees' Retirement System

Town of Creswell
Schedule of the Proportionate Share of the Net Pension Liability (Asset)
Required Supplementary Information
Last Eight Fiscal Years*

Local Governmental Employees' Retirement System

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---------------------------------------------------------------------------------------------------------------------|------------|------------|------------|------------|------------|-----------|-------------|-----------|
| Creswell's proportion of the net pension liability (asset) (%) | 0.00191% | 0.00148% | 0.00220% | 0.00222% | 0.00216% | 0.00209% | 0.00194% | 0.00140% |
| Creswell's proportion of the net pension liability (asset) (\$) | \$ 68,252 | \$ 40,418 | \$ 52,192 | \$ 33,915 | \$ 45,842 | \$ 9,380 | \$ (11,441) | \$ 16,875 |
| Creswell's covered-employee payroll | \$ 115,132 | \$ 105,680 | \$ 109,948 | \$ 104,712 | \$ 103,067 | \$ 86,746 | \$ 89,699 | \$ 64,958 |
| Creswell's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 59.28% | 38.25% | 47.47% | 32.39% | 44.48% | 10.81% | -12.75% | 25.98% |
| Plan fiduciary net position as a percentage of the total pension liability** | 91.63% | 94.18% | 91.47% | 98.09% | 99.07% | 102.64% | 94.35% | 96.45% |

*The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participant employers in the LGERS plan.

Town of Creswell
Schedule of Contributions
Required Supplemental Information
Last Eight Fiscal Years*

Local Governmental Employees' Retirement System

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|----------------------------------------------------------------------|------------|------------|------------|------------|------------|------------|-----------|-----------|
| Contractually required contribution | \$ 12,200 | \$ 10,339 | \$ 8,222 | \$ 8,279 | \$ 7,634 | \$ 6,916 | \$ 6,132 | \$ 6,548 |
| Contributions in relation to the contractually required contribution | 12,200 | 10,339 | 8,222 | 8,279 | 7,634 | 6,916 | 6,132 | 6,548 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Creswell's covered-employee payroll | \$ 119,839 | \$ 115,132 | \$ 105,680 | \$ 109,948 | \$ 104,712 | \$ 103,067 | \$ 86,746 | \$ 89,699 |
| Contributions as a percentage of covered-employee payroll | 10.18% | 8.98% | 7.78% | 7.53% | 7.29% | 6.71% | 7.07% | 7.30% |

Individual Fund Statements and Schedules

Town of Creswell
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual – General Fund
For the Fiscal Year Ended June 30, 2021

| | Budget | Actual | Variance Positive (Negative) |
|-----------------------------------------------------------------------|---------|-----------|------------------------------------|
| Revenues: | | | |
| Ad valorem taxes: | | | |
| Taxes | \$ | \$ 93,495 | \$ |
| Interest | | 326 | |
| Total | 88,310 | 93,821 | 5,511 |
| Unrestricted intergovernmental: | | | |
| Local option sales taxes | | 47,342 | |
| Beer and wine tax | | 1,069 | |
| Utilities and telecommunications sales tax and video franchise tax | | 22,008 | |
| Sales tax refunds | | 3,034 | |
| Total | 69,570 | 73,453 | 3,883 |
| Restricted intergovernmental: | | | |
| Powell Bill allocation | | 7,927 | |
| Total | 7,485 | 7,927 | 442 |
| Investment earnings | | 1,525 | 1,525 |
| Miscellaneous: | | | |
| Miscellaneous income | | 81,455 | |
| | 350 | 81,455 | 81,105 |
| Total revenues | 165,715 | 258,181 | 92,466 |
| Expenditures: | | | |
| General government: | | | |
| Governing body: | | | |
| Salaries and employee benefits | | 18,839 | |
| Total | 20,596 | 18,839 | 1,757 |
| Administration: | | | |
| Salaries and employee benefits | | 45,664 | |
| Repairs and maintenance | | 3,801 | |
| Other operating expenditures | | 53,057 | |
| Total | 124,557 | 102,522 | 22,035 |

Town of Creswell
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual – General Fund
For the Fiscal Year Ended June 30, 2021

| | Budget | Actual | Variance Positive (Negative) |
|------------------------------------|----------|------------|------------------------------------|
| Expenditures (continued): | | | |
| Public buildings & utilities: | | | |
| General insurance | | 5,024 | |
| Total | 5,202 | 5,024 | 178 |
| Total general government | 150,355 | 126,385 | 23,970 |
| Public Safety: | | | |
| Fire: | | | |
| Contribution - Fire Department | | 11,560 | |
| Total public safety | 11,560 | 11,560 | - |
| Transportation: | | | |
| Streets and highways: | | | |
| Streets and maintenance | | 12,353 | |
| Total transportation | 20,353 | 12,353 | 8,000 |
| Environmental protection: | | | |
| Other operating expenditures | | - | |
| Total environmental protection | 800 | - | 800 |
| Total expenditures | 183,068 | 150,298 | 32,770 |
| Revenues over (under) expenditures | (17,353) | 107,883 | 125,236 |
| Fund balance appropriated | 17,353 | - | (17,353) |
| Net change in fund balance | \$ - | 107,883 | \$ 107,883 |
| Fund balance, beginning | | 463,214 | |
| Fund balance, ending | | \$ 571,097 | |

Town of Creswell
Water and Sewer Fund Schedule of Revenues
and Expenditures – Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2021

| | Budget | Actual | Variance Positive (Negative) |
|--------------------------------|------------|------------|------------------------------------|
| Revenues: | | | |
| Operating revenues: | | | |
| Charges for services | | \$ 378,137 | |
| Total operating revenues | \$ 345,361 | 378,137 | \$ 32,776 |
| Non-operating revenues: | | | |
| Interest on investments | | 242 | 242 |
| FEMA - Hurricane Matthew | | 31,581 | 31,581 |
| Total nonoperating revenues | - | 31,823 | 31,823 |
| Total revenues | 345,361 | 409,960 | 64,599 |
| Expenditures: | | | |
| Operating: | | | |
| Administration - water: | | | |
| Salaries and employee benefits | | 95,155 | |
| Repairs and maintenance | | 34,158 | |
| Other operating expenses | | 77,922 | |
| Total administration - water | 238,590 | 207,235 | 31,355 |
| Administration - sewer: | | | |
| Salaries and employee benefits | | 57,095 | |
| Other operating expenses | | 18,050 | |
| Total administration - sewer | 72,143 | 75,145 | (3,002) |
| Treatment plant: | | | |
| Repairs and maintenance | | 10,713 | |
| Chemicals and salt | | 1,485 | |
| Permits and fees | | 2,933 | |
| Total treatment plant | 26,788 | 15,131 | 11,657 |
| Total operating expenditures | 337,521 | 297,511 | 40,010 |

Town of Creswell
Water and Sewer Fund Schedule of Revenues
and Expenditures – Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2021

| | | | |
|------------------------------------------------------------------|----------|------------|-----------|
| Debt service: | | | |
| Principal retirement | | 9,440 | |
| Total debt service | 9,440 | 9,440 | - |
| Capital outlay: | | | |
| Equipment | | 31,581 | |
| Total capital outlay | 13,400 | 31,581 | (18,181) |
| Total expenditures | 360,361 | 338,532 | 21,829 |
| Revenues over (under) expenditures | (15,000) | 71,428 | 86,428 |
| Fund balance appropriated | 15,000 | - | (15,000) |
| Revenues and other sources | | | |
| Revenues over (under) expenditures | \$ - | 71,428 | \$ 71,428 |
| Reconciliation from budgetary basis | | | |
| (modified accrual) to full accrual: | | | |
| Reconciling items: | | | |
| Depreciation | | (178,249) | |
| Capital contributions | | 471,367 | |
| Principal retirement | | 9,440 | |
| Capital Outlay | | 31,581 | |
| Increase (decrease) in deferred outflows of resources - pensions | | 12,567 | |
| (Increase) decrease in net pension liability | | (23,236) | |
| (Increase) decrease in compensated absences | | (3,824) | |
| (Increase) decrease in deferred inflows of resources - pensions | | 2,250 | |
| Total reconciling items | | 321,896 | |
| Change in net position | | \$ 393,324 | |

Town of Creswell
Water and Sewer Fund
Water Treatment Plant Improvements Capital Projects Fund
From Inception and For the Fiscal Year Ended June 30, 2021

| | Project | | Actual | | Variance |
|-------------------------------|---------------|-----------|------------|------------|-------------|
| | Authorization | Prior | Current | Total to | Positive |
| | | Years | Year | Date | (Negative) |
| Revenues: | | | | | |
| Restricted Intergovernmental: | | | | | |
| NC Department of | | | | | |
| Environmental Quality: | | | | | |
| Connect NC Bond Program: | | | | | |
| State Revolving Loan | \$ 188,792 | \$ 14,478 | \$ 157,121 | \$ 171,599 | \$ (17,193) |
| State Revolving Grant | 566,378 | 43,433 | 471,367 | 514,800 | (51,578) |
| Total revenues | 755,170 | 57,911 | 628,488 | 686,399 | (68,771) |
| Expenditures: | | | | | |
| Engineering Costs | 49,370 | 9,370 | 40,000 | 49,370 | - |
| Administrative Costs | 115,800 | 48,541 | 50,500 | 99,041 | 16,759 |
| Construction | 590,000 | - | 537,988 | 537,988 | 52,012 |
| Total expenditures | 755,170 | 57,911 | 628,488 | 686,399 | 68,771 |
| Revenues over (under) | | | | | |
| expenditures | \$ - | \$ - | \$ - | \$ - | \$ - |

OTHER SCHEDULES

This section contains additional information on property taxes.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy

Town of Creswell
Schedule of Ad Valorem Taxes Receivable
June 30, 2021

| <u>Fiscal Year</u> | Uncollected Balance June 30, 2020 | Additions | Collections and Credits | Uncollected Balance June 30, 2021 |
|---------------------------------------------|-----------------------------------------|------------------|-------------------------------|-----------------------------------------|
| 2020-2021 | \$ - | \$ 96,154 | \$ 92,481 | \$ 3,673 |
| 2019-2020 | 2,005 | - | 468 | 1,537 |
| 2018-2019 | 613 | - | 80 | 533 |
| 2017-2018 | 613 | - | 80 | 533 |
| 2016-2017 | 325 | - | 208 | 117 |
| 2015-2016 | 287 | - | 178 | 109 |
| 2014-2015 | 109 | - | - | 109 |
| 2013-2014 | 111 | - | - | 111 |
| 2012-2013 | 96 | - | - | 96 |
| 2011-2012 | 96 | - | - | 96 |
| 2010-2011 | 75 | - | 75 | - |
| | <u>\$ 4,330</u> | <u>\$ 96,154</u> | <u>\$ 93,570</u> | 6,914 |
| Less: allowance for uncollectible accounts: | | | | |
| General Fund | | | | 750 |
| Ad valorem taxes receivable - net | | | | <u>\$ 6,164</u> |
| <u>Reconcilement with revenues:</u> | | | | |
| Ad valorem taxes - General Fund | | | | \$ 93,821 |
| Reconciling items: | | | | |
| Interest collected | | | | (326) |
| Taxes written off | | | | 75 |
| Subtotal | | | | <u>(251)</u> |
| Total collections and credits | | | | <u>\$ 93,570</u> |

Town of Creswell
Analysis of Current Tax Levy – Town-Wide Levy
June 30, 2021

| | Town-Wide | | Total Levy | | |
|---------------------------------------------|----------------------|------|------------|----------------------------------------------|---------------------------|
| | Property Valuation | Rate | Total Levy | Property excluding Registered Motor Vehicles | Registered Motor Vehicles |
| Original levy: | | | | | |
| Property taxed at current year's rate | \$ 19,250,200 | 0.5 | \$ 96,251 | \$ 86,593 | \$ 9,658 |
| Releases | (19,400) | 0.5 | (97) | (97) | - |
| <u>Total property valuation</u> | <u>\$ 19,230,800</u> | | | | |
| Net levy | | | 96,154 | 86,496 | 9,658 |
| Unpaid (by taxpayer) taxes at June 30, 2020 | | | (3,673) | (3,587) | (86) |
| Current year's taxes collected | | | \$ 92,481 | \$ 82,909 | \$ 9,572 |
| Current levy collection percentage | | | 96.18% | 95.85% | 99.11% |

COMPLIANCE SECTION

**Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance
and Other Matters Based On An Audit Of Financial Statements Performed In Accordance With
*Government Auditing Standards***

To the Honorable Mayor and the Town Council
Town of Creswell, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Creswell, North Carolina as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Creswell's basic financial statements, and have issued our report thereon dated March 3, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Creswell, North Carolina's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Creswell's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Creswell's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items that we consider to be material weaknesses: 2021-1, 2021-2, 2021-3, 2021-4, 2021-5

Compliance and Other Matters

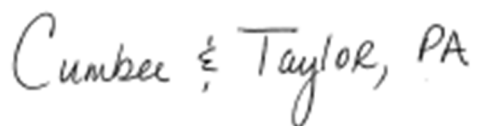
As part of obtaining reasonable assurance about whether the Town of Creswell's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items: 2021-2, 2021-3

Town of Creswell, North Carolina's Response to Findings

The Town of Creswell's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Creswell's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in dark ink that reads "Cumber & Taylor, PA". The signature is written in a cursive, flowing style.

Williamston, North Carolina
March 3, 2022

**Independent Auditors' Report on Compliance for Each Major State Program and on
Internal Control Over Compliance in accordance with OMB Uniform Guidance and the
State Single Audit Implementation Act**

To the Honorable Mayor and Town Council
Town of Creswell, North Carolina

Report on Compliance for Each Major State Program

We have audited the Town of Creswell, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Creswell's major state programs for the year ended June 30, 2021. The Town of Creswell's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Creswell's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town of Creswell's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Town of Creswell's compliance.

Opinion on Each Major State Program

In our opinion, the Town of Creswell complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

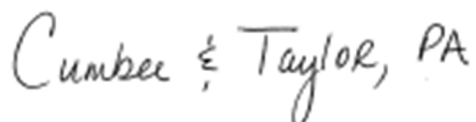
Management of the Town of Creswell is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Creswell's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses. However, material weaknesses may exist that have not been identified. However, we did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items that we consider to be material weaknesses: 2021-4, 2021-5

The Town of Creswell's response to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. The Town of Creswell's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Williamston, North Carolina
March 3, 2022

Town of Creswell, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2021

Section I. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant Deficiency(s) yes X none reported

Noncompliance material to financial statements noted? X yes no

Federal Awards

The Town did not have any major federal program awards.

State Awards

Internal control over major State programs:

- Material weakness(es) identified? X yes no
- Significant Deficiency(s) identified yes X none reported

Type of auditor's report issued on compliance for major State programs: Unmodified.

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act? yes ☐ no ☒

Identification of major State programs:

Water Treatment Plant Improvements
State Reserve Loan
State Reserve Grant

**Town of Creswell, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2021**

Section II. Financial Statement Findings

MATERIAL WEAKNESSES

Finding: 2021-1 – Transfer of funds between banks

Criteria: Bank account transfers within the same fund should not affect income or expenditures.

Condition: During the fiscal year First National Bank made the decision to close its local branch prompting the Town to move some of its accounts from First National Bank to BB&T, another local bank. The moving of these bank accounts was recorded as income and expense in the general ledger bank accounts of both the General Fund and the Water and Sewer Fund.

Effect: Audit adjustments were necessary to correct miscellaneous income and expenses overstated by \$100,000 in the general fund and \$50,000 in the water and sewer fund.

Cause: The bank transfers were incorrectly recorded because this was an unusual event for the Town and the Finance Officer was uncertain how to record the transfer between banks in the general ledger.

Recommendation: In future we recommend any transfers between banks be handled properly by adjusting only the bank accounts involved with no entries to income and expense accounts. The Finance Officer should seek guidance if unsure how to record any new or unusual transactions.

Finding 2021-2 – Excess of Expenditures over Appropriations

Criteria: The Town operates under an annual budget approved by the Town Board. Expenditures may not legally exceed appropriation at the functional level for all annually budget funds.

Condition: The Town was overbudget in its Water and Sewer Fund in two areas; Sewer Administration and Capital Outlay. The Town overspent Sewer Administration by \$3,002 and Capital Outlay by \$18,181. The over-expenditure of Capital Outlay is due to the purchase of a generator for the sewer plant. The Town spent \$31,581 of grant money they are to receive from FEMA on the generator. The Town did not amend its budget for the FEMA grant revenue nor the offsetting expenditure. The overspent Administration expenditures was an oversight.

Effect: Noncompliance with N.C. Budgetary requirements of the General Statutes.

Cause: The Town became aware of the FEMA money for the generator after the budget was adopted for the current fiscal year. The Town did not amend its budget for the grant. The overages in the Water and Sewer Fund budget for Sewer Administration and Capital Outlay

Town of Creswell, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2021

indicate that the Town is not verifying on a continuing basis that budget is available to cover expenditures before they are made.

Recommendation: The Town should ensure its budget is amended as needed to prevent expending money in excess of appropriations.

Finding 2021-3 – Noncompliance with North Carolina Statutes

Criteria: The Town paid penalties for violation of N.C.G.S 143-215.65.

Condition: During the current fiscal year the Town paid civil penalties and enforcement costs of \$600 for failure to timely submit the July 2020 Discharge Monitoring Report to the Division of Water Resources. The Town paid similar penalties of \$1,200 in the prior year and has paid \$4,600 in penalties subsequent to year end.

Effect: Misuse and waste of Town resources and violation of NC General Statutes.

Cause: The Water and Sewer Superintendent has failed to meet some filing requirements.

Recommendation: Priority should be given to filing reports timely to prevent violating NC General Statutes and the waste of Town resources.

| | |
|---------------------|----------------------------------------------------|
| Section III. | Federal Award Findings and Questioned Costs |
|---------------------|----------------------------------------------------|

NONE REPORTED

| | |
|--------------------|--------------------------------------------------|
| Section IV. | State Award Findings and Questioned Costs |
|--------------------|--------------------------------------------------|

MATERIAL WEAKNESSES

Finding: 2021-4 – Retainage payable on Water Treatment Improvement Project

Criteria: All accounts payables at year end should be recorded in the period in which the expenditure was incurred.

Condition: Retainage and sales tax due to the construction contractor in the amount of \$27,265 as of June 30, 2021 was not recorded at year end.

Effect: An audit adjustment was necessary to record the additional liability and expense in the Town's Water Treatment Improvement capital projects at year end.

**Town of Creswell, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2021**

Cause: The retainage payable on the construction contract was not recorded by the Town as a liability because the Finance Officer was unaware the retainage should have been recorded.

Recommendation: In the future when the Town has projects with contractors the Finance Officer should review contractor invoices at year end to determine if there are any retainage payable that should be recorded on the Town's books.

Finding: 2021-5 – Miscoded Engineering and Administration Expenditures

Criteria: The statement of revenues and expenditures should agree to the accounting records.

Condition: Administration cost of \$48,000 were coded to Engineering costs in the Town's general ledger. It should be noted the costs were properly coded on the reimbursement request forms.

Effect: An audit adjustment was necessary to reclassify the miscoded expenditures in the Town's general ledger to agree with the project budget.

Cause: All of the expenditures were paid to the same vendor and the Town clerk inadvertently assumed all were for engineering and did not allocate per the approved project budget and reimbursement request.

Recommendation: Expenditures should be posted in the capital project general ledger per the approved project budget and reimbursement request.

TOWN OF CRESWELL

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PHONE 252-797-4852 ♦ FAX 252-797-7281

E-MAIL: creswellnc@centurylink.net

WEBSITE: www.townofcreswell.com

MAYOR:
E. RAY BLOUNT

TOWN CLERK/FINANCE OFFICER:
PENNY CHAPMAN

COMMISSIONERS:
SYBLE SPRUILL
RON AMBROSE
BRENA LOGAN
JOEL HARRIS

Corrective Action Plan For the Fiscal Year Ended June 30, 2021

Section II – Financial Statement Findings

MATERIAL WEAKNESSES

2021 – 1: Transfer of funds between banks

Name of contact person: Penny Chapman

Corrective Action: The Town made a journal entry to correct miscellaneous income and expenses overstated by \$100,000 in the general fund and \$50,000 in the water and sewer fund. The Town will review their expenditures accounts on a regular basis including at year end to determine if/any items may have been miscoded among the accounts.

Proposed Completion Date: Town official implemented right away

2021 – 2: Excess of Expenditures over Appropriations

Name of contact person: Penny Chapman

Corrective Action: The Town made a journal entry to record the receivable for the FEMA grant revenue to be received subsequent to year end.

Proposed Completion Date: Town official implemented right away

MATERIAL NONCOMPLIANCE / SIGNIFICANT DEFICIENCY

2021 – 3: Noncompliance with North Carolina Statutes

Name of contact person: Ryan Swain

Corrective Action: The Town has hired part-time help with entering the monthly reports in the computer. The Town feels this will help filing reports timely to prevent violating NC General Statutes.

Proposed Completion Date: Town official implemented right away.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – State Award Findings and Questioned Costs

MATERIAL WEAKNESSES

2021 – 4: Retainage payable on Water Treatment Improvement Project

Name of contact person: Penny Chapman

Corrective Action: The Town made a journal entry to record the liability and expense for the retainage and sales tax due to the construction contractor in the Water Treatment Improvement Capital Project at year end. The Town will review their accounts payable on a regular basis including at year end to be sure all expenditures are recorded in the period in which they incur.

Proposed Completion Date: Town official implemented right away

2021 – 5: Miscoded Engineering and Administration Expenditures

Name of contact person: Penny Chapman

Corrective Action: The Town made a journal entry to reclassify the expenditures of administration cost in the Capital Project at year end. The Town will review their Capital Project expenditure accounts on a regular basis including at year end to determine if/any items may have been miscoded among the accounts.

Proposed Completion Date: Town official implemented right away.

**Town of Creswell, North Carolina
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2021**

No single Audit was performed in the previous year.

Town of Creswell, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2021

| <u>Grantor/Pass-through</u> <u>Grantor/Program Title</u> | <u>Federal</u> <u>CFDA</u> <u>Number</u> | <u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>Number</u> | <u>Fed. (Direct &</u> <u>Pass-through)</u> <u>Expenditures</u> | <u>State</u> <u>Expenditures</u> | <u>Local</u> <u>Expenditures</u> |
|-------------------------------------------------------------|------------------------------------------------|---------------------------------------------------------------------------|--------------------------------------------------------------------------|-------------------------------------|-------------------------------------|
| Federal Grants: | | | | | |
| Cash Programs: | | | | | |
| <u>U. S. Department of Homeland Security</u> | | | | | |
| <u>Federal Emergency Management Agency</u> | | | | | |
| Passed-through N.C. Department of Public Safety | | | | | |
| <u>Hazard Mitigation Grant Program</u> | | | | | |
| Generator Town Wastewater Plant | 97.039 | HMGP 4285-068-F | \$ 23,686 | \$ 7,895 | \$ - |
| Total assistance - federal programs | | | 23,686 | 7,895 | - |
| State Grants: | | | | | |
| Cash Assistance: | | | | | |
| <u>N.C. Department of Environmental Quality</u> | | | | | |
| <u>Division of Water Infrastructure</u> | | | | | |
| <u>Water Treatment Plant Improvements</u> | | | | | |
| State Reserve Loan | | H-SRP-D-17-0129 | - | 157,121 | - |
| State Reserve Grant | | H-SRP-D-17-0129 | - | 471,367 | - |
| <u>N.C. Department of Transportation:</u> | | | | | |
| Powell Bill | | 38570 | - | 12,353 | - |
| Total assistance - State programs | | | - | 640,841 | - |
| Total assistance | | | \$ 23,686 | \$ 648,736 | \$ - |

Town of Creswell, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2021

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE FINANCIAL AWARDS:

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Town of Creswell under the programs of the federal government and the State of North Carolina for the year ended June 30, 2021. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Creswell, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Creswell.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

The Town of Creswell has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.